

Fiscal Management Division
Statewide Fiscal Services Dept.
Expenditure Audit Section
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Audit Report # 300-17-01
August 22, 2017

Post-Payment Audit of the Office of the Governor – Fiscal



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EXECUTIVE SUMMARY

Audit scope

We audited a sample of the Office of the Governor – Fiscal (Office) payroll, purchase, travel, grant and revenue transactions that processed through the Uniform Statewide Accounting System (USAS) and the Uniform Statewide Payroll/Personnel System (USPS) during the period beginning June 1, 2015, through May 31, 2016, to determine compliance with applicable state laws.

The Office receives appendices with the full report that includes a list of the identified errors. Copies of the appendices may be requested through a [Public Information Act](#) inquiry.

The audit provides a reasonable basis for the findings set forth in this report. The Office should implement the recommendations listed in the Detailed Findings of this report. It is the Office's responsibility to seek refunds for all overpayments unless it determines it is not cost effective to do so. If necessary, the Comptroller's office may take the actions set forth in Texas Government Code, Section 403.071(h), to ensure that the Office's documents comply in the future. The Office must ensure that the findings discussed in this report are resolved.

Texas law requires the Texas Comptroller of Public Accounts (Comptroller's office) to audit claims submitted for payment through the Comptroller's office. All payment transactions are subject to audit regardless of amount or materiality.

Payroll transactions and payroll deductions

Payroll transactions were audited for compliance with the General Appropriations Act (GAA), the [Texas Payroll/Personnel Resource](#) and other pertinent statutes.

The audit identified:

- One incorrect state effective service date.

A limited sample of voluntary contributions was also audited.

- No issues were identified.

Purchase transactions

Purchase transactions were audited for compliance with the GAA, [eXpendit](#), the [State of Texas Procurement Manual](#) and other pertinent statutes.

The audit identified:

- Missing statutory authority for purchase.
- No Certified Texas Procurement Manager (CTPM) on staff.
- Term contract not used.
- System for Award Management (SAM) search not conducted.

Prompt payment and payment scheduling

We audited the Office's compliance with prompt payment law and scheduling rules.

The audit identified:

- Interest not paid for five purchase transactions.
- Interest loss to the State Treasury for three purchase transactions.

The Office paid \$843.48 in prompt payment interest during the audit period.

Travel transactions

Travel transactions were audited for compliance with the GAA, [Textravel](#) and other pertinent statutes.

- No issues were identified.

Grant transactions

A limited review of the Office's transactions relating to grant payments was conducted as a part of our purchase sample. This review consisted of verifying that payments did not exceed authorized amounts. The review of these payments did not include an investigation of the Office's procedures for awarding the grants or monitoring payments made to the payees; therefore, no opinion is being offered on those procedures.

- No issues were identified.

Revenue refund transactions

The audit included a limited review of the Office's transactions relating to revenue refund payments. This review consisted of verifying that the payments did not exceed the authorized amounts.

- No issues were identified.

Direct deposit authorization form

A review was conducted of the Office's procedures to comply with the federal mandate to properly identify and handle payments involving moving funds internationally.

The audit identified:

- Two instances where the employees failed to indicate whether funds would be forwarded to a financial institution outside the United States.

Internal control structure

The Office's internal control structure was reviewed. The review was limited to obtaining an understanding of the Office's controls sufficient to plan the audit and did not include tests of control policies and procedures.

- No issues were identified.

Fixed assets

The audit included a limited number of fixed assets acquired by the Office during the audit period. Their physical existence and use for state business was verified.

- No issues were identified.

Prior post-payment audit and current audit recurring findings

A prior post-payment audit of the Office's payroll, purchase and travel transactions was concluded on Nov. 15, 2012.

During the current audit, we noted one recurring error:

- Prompt payment issues.

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DETAILED FINDINGS — PAYROLL

Incorrect State Effective Service Date

Finding

We identified one employee at the Office with an incorrect state effective service date in USPS. The employee was identified in a report outside the sample that listed prior state service. The Office verified that the prior state service was valid and made the entry in USPS. The additional service credit did not result in an underpayment of longevity pay.

The Office's procedures include verifying prior state service whenever an employee indicates prior state service in the job application. In this instance, the Office requested and received the prior state service information but failed to make the entry in USPS. The Office stated that the entry was not made due to an oversight.

When an agency hires an employee, the agency must research whether the employee has prior state service. If prior state service exists, the agency must confirm the amount of lifetime service credit and properly record it or run the risk of underpaying longevity pay. See the [Texas Payroll/Personnel Resource](#) – Longevity Pay.

Recommendation/Requirement

The Office must continue to review each employee's job application for prior state service for all current and new employees to ensure it is properly recorded.

Office Response

The Office agrees with this finding. The Office will continue to review each employee's job application for prior state service for all current and new employees to ensure it is properly recorded.

DETAILED FINDINGS — PURCHASE/PROCUREMENT

Missing Statutory Authority for Purchase

Finding

We identified four transactions where the Office did not have the legal authority to purchase water. The Office stated that the water purchase was an oversight. The Office agrees that these expenses should not be paid with state funds.

The Attorney General has said that the Texas Constitution prohibits a state agency from purchasing food, coffee, cream, sugar and similar items with state-appropriated funds that employees or visitors would consume. For more information, see the Texas Attorney General Opinion No. C-557 (1965).

According to [eXpendit](#) – Statutory Authority for Purchases, a state agency may purchase a good or service only if the agency has specific or implied statutory authority for the purchase. A state agency has implied statutory authority to purchase a good or service only if it is necessary for the agency to fulfill its specific statutory duties.

Recommendation/Requirement

The Office must determine whether it has specific or implied statutory authority to purchase goods or services before procuring the good or service.

Office Response

The Office agrees with this finding and will confirm its authority to purchase goods and services before procuring the good or service.

No Certified Texas Procurement Manager on Staff

Finding

We identified a procurement issue where the Office failed to have a Certified Texas Procurement Manager (CTPM) on staff. The total amount of purchases processed and the dollar value surpassed the required levels of training, experience and certification of current staff.

The Office believed that because they were using the State Procurement Division (SPD) to review their request for purchases and delegating the authority back to the Office, the CTPM requirement was met. State of Texas employees involved in the procurement of goods and services over \$100,000, must be CTPM certified.

A CTPM certification is required to hold purchasing authority for all competitive purchases over \$100,000. To earn the CTPM certification, an employee must do the following:

- Have at least three years of purchasing experience
- Complete the Texas Basic and Advanced Public Purchasing courses
- Complete the Texas Cost and Price Analysis, Negotiations, and Contract Administration course (or have the current equivalent certification from a national purchasing association)
- Pass the CTPM exam

See Texas Government Code, Section 2155.078 (a)-(b).

Recommendation/Requirement

The Office must ensure that the agency's purchasers complete the training in compliance with state law. The SPD offers a variety of training and certification opportunities.

See [Purchasing and Procurement Training and Certification \(CTP, CTPM\)](#)

Office Response

The Office agrees with this finding. The Office currently has a Certified Texas Procurement Manager on staff.

Term Contract Not Used

Finding

We identified one transaction in the sample where the Office did not use a term contract to purchase goods and services. The Office stated that prior to the purchase; the purchaser conducted a search in TxSmartBuy but entered an incorrect Stock Keeping Unit (SKU) number. The Office maintained the screen print that showed no return on the item searched.

[The State of Texas Procurement Manual](#), Section 2.6, Term Contracts, states, “In accordance with the delegations established by Government Code, Section 2155.132, 34 Texas Administrative Code, Sections 20.40 - 20.41 and this Procurement Manual, state agencies are required to use the established term contracts for procurement of goods and services.”

Recommendation/Requirement

When reviewing the existing term contracts to determine if an item exists on the term contracts the Office must ensure that it enters the correct SKU. The term contracts can be viewed online at [TxSmartBuy](#).

Office Response

The Office agrees with this finding. The Office will ensure that it enters the correct SKU.

System for Award Management Search Not Conducted

Finding

We identified two transactions where the Office did not provide the required System for Award Management (SAM) printouts dated prior to its respective contract awards. According to the Office, they did not conduct a SAM search due to an oversight.

Agencies must not award contracts to vendors who have been barred by the federal government from contracting. SAM is the electronic database of the Lists of Parties Excluded from Federal Procurement and Non-procurement Programs that identifies those vendors excluded throughout U.S. government (unless otherwise noted) from receiving federal contracts or certain subcontracts and from certain types of federal financial and non-financial assistance and benefits. SAM must be checked seven days prior to any award or contract renewal being made by Texas state government entities. See Texas Government Code, Section 2155.077 and 34 Texas Administrative Code, Section 20.585 (d)(4).

Recommendation/Requirement

We recommend that the Office conduct a SAM search after bid tabulations. Because SAM may update these databases more than once in a 24-hour period, a final check of the Special Designated Nationals (SDN) listing must be made prior to any contract award to ensure the Office does not award contracts to any person or vendor whose name appears on the SDN list. A copy of the SAM search results from the specified website must be used as evidence that the vendor search was performed and must be included in the contract file.

Office Response

The Office agrees with this finding. A SAM search will be done after each bid tabulation and before any contract award is issued. The SAM search printout will be attached to every contract file.

DETAILED FINDINGS — PROMPT PAYMENT AND SCHEDULING

Prompt Payment and Payment Scheduling Errors

Finding

According to the prompt payment law, Texas Government Code, Section 2251.021(a), a governmental entity's payment is overdue on the 31st day after the later of:

- The date the governmental entity receives the goods under the contract,
- The date the performance of the service under the contract is completed, or
- The date the governmental entity receives an invoice for the goods or service.

The Comptroller's office computes and automatically pays interest due under the prompt payment law when the Comptroller's office is responsible for paying the principal amount on behalf of the agency, according to Texas Government Code, Section 2251.026. During the audit period, the Office paid vendors \$843.48 in interest.

In our sample, we identified five purchase transactions that were paid late; however, no interest was paid because the Office entered incorrect due dates in USAS. According to the Office, these occurred due to oversight when processing the payments.

Texas Government Code, Section 2155.382(d) authorizes the Comptroller's office to allow or require state agencies to schedule payments that the Comptroller's office will make to a vendor. The Comptroller's office must prescribe the circumstances under which advance payment scheduling is allowed or required; however, the Comptroller's office requires advance payment scheduling when it is advantageous to the state.

We identified three purchase transactions that the Office paid early which resulted in interest loss to the State Treasury. The Office stated this occurred due to oversight when scheduling the payment.

Recommendation/Requirement

The Office must review its procedures to ensure that it submits payment process and payment release information in a timely manner to avoid incurring interest liabilities. In addition, the Office must verify that proper due dates are entered to ensure that if interest is due, it is paid correctly to the vendors.

To minimize the State Treasury's loss of earned interest, the Office must schedule all payments that are greater than \$5,000 for the latest possible distribution and in accordance with its purchasing agreements as described in [eXpendit](#) on the [Prompt Payment](#) and [Payment Scheduling](#) tabs.

Office Response

The Office will review its procedures to ensure that it submits payment processing and payment release information in a timely manner to avoid incurring interest liabilities.